

Analysis of Results

IMA Survey on the Business Impact of COVID-19

March 18, 2020

Q1: The IMA asked if companies were facing supply chain disruptions due to the coronavirus outbreak. While three-in-five manufacturers reported they were not experiencing disruptions, comments tempered that response.

Most of the commenters said they had not experienced problems yet but were cautiously watching for changes and reaching out to vendors to verify supplies as the spread of COVID-19 expanded. One commenter said they anticipate issues to arise everywhere, but none had hit a critical state as yet. Two other commenters noted difficulty in obtaining PPE and hand sanitizer.

Q2: We asked if companies were already facing a negative financial impact because of the coronavirus. Nearly fifty percent responded that they were experiencing a negative impact, while more than thirty-nine percent responded, no.

Comments focused mainly on the expectation that experiencing a negative financial impact was only a matter of time, but that the severity was the unknown factor. Two commenters noted that as smaller employers, they anticipated a significant impact if paid family leave is thrust upon them. Other companies expressed concerns surrounding the expectation of orders and contracts being cancelled with two noting that orders have already begun to slow. One other commenter noted they were anticipating delayed payment for large orders of capital equipment. Of the 20 total comments on this question, each was expressed some level of worry in the unknown.

Q3: IMA asked if companies were already experiencing a reduction in orders. More than fifty percent (51.9) responded they had not seen a reduction. However, as in Question 2, there is uncertainty being expressed; most companies believe leaner times are forthcoming depending on the longevity of the crises.

One commenter, on the other hand, expressed optimism that the company's rural location could result in increased orders, and another said they had already seen a "massive increase in business."

Q4: As an adjunct question to Q3, we asked companies to quantify their level of reduction. Two-thirds of respondents told us they were experiencing reductions of 25 percent or less, and one-in-twenty companies were seeing reductions of 26 or 50 percent.

Commenters on this question reflected the statistical breakdown. One commenter noted that the company was experiencing a “temporary ‘pull forward’ of ordering” which we take as customers wishing to increase materials/stock on hand to weather potential shut-downs as the coronavirus expands. One other company said that while orders are still being received, they had also started receiving cancellations.

Q5: We asked whether companies were changing operations. Fully two-thirds responded they were doing so.

Comments seem to reflect the ability of companies to be flexible with how they are responding to the situation. Most comments reflect options widely in use including using working from home, increased plant sanitation activities, notifying employees and keeping them informed of current conditions facing the company, and emphasizing basic hygiene and preventative actions. One commenter noted they had shifted to a flexible scheduling model while another said they were adding extra shifts to handle increase orders.

Q6: IMA asked if companies have an Emergency Response Plan. Fully 75 percent said yes.

Comments on this question mainly came from the 25 percent of companies that do not currently have an Emergency Response Plan. Most say they are working on plans, while one commenter said that for their company, it was something they worked on day-by-day.

Q7: We asked if manufacturers were allowing clerical or front-line workers to work remotely. Almost 50 percent said, yes.

Comments, as expected, noted that front-line production employees would be unable to perform their duties, but all commenters noted a willingness to engage in remote work as conditions warrant. One company noted it had instituted an alternating work from home schedule.

Q8: IMA asked if companies were experiences logistics disruptions. More they two-thirds reported no problems were currently affecting operations.

Comments on this question were couched in terms of anticipating issues in the future, although one commenter noted a disruption due to slow off-loading of containers at ports.

Q9: We asked whether companies had imposed restrictions on business travel. Ninety-one percent of respondents reported a complete ban on travel (37.6) or limiting travel to only “essential” activities (53.4).

One commenter noted that not only had they suspended business travel, but the company had instituted a policy related to personal travel. It reported that personal travel was required to be reported to HR, and upon return the employee must report if they were returning from a location that has confirmed cases of coronavirus. If that is the case, the employee is required to self-isolate for 14-days and be medically cleared before returning to work.

Q10: We asked about reductions in workforce. Eighty-five percent reported no reductions due to coronavirus.

Comments indicated that employers anticipate the situation could change, and one commenter noted that some workforce decisions could be driven by government actions.

Q11: IMA asked what actions employers were contemplating with respect to their workforce. While we listed temporary layoffs or shutdowns, reducing hours, or adding shifts and workers, the largest responses were classified as “other” and represented the third most comments received.

Most commenters seem to be taking a “wait and see” approach, but all have already created contingency plans to meet escalation of the spread of the virus. One commenter succinctly corralled the general emphasis expressed by others, “Encouraging and enforcing ill workers to stay at home and can come back to work after 24 hours fever free without the use of fever reducing medication. Doctors note to return if out for 3 or more days due to illness, posting how to wash hands correctly, how to use hand sanitizer, how to correctly cover mouth and nose when coughing and sneezing, also posting symptoms and myths about the coronavirus.”

One commenter reported the company was helping offset added day-care expenses for employees needing that assistance.

Q12: We asked how companies are handling compensation and benefits for workers if the situation resulted in reduced hours, layoffs or shutdowns. One-third of employers say they will either pay employees their full rate of pay (26.3) or reduced rates (7.3), forty-five percent say they have other plans.

Most companies say they expect their current pay and benefit policies will be sufficient to cover contingencies and a few noted that during the crises they would suspend current “points” policies for employees contracting COVID-19, however several commenters expressed the belief that government should take responsibility for paying out-of-work employees. Another group of employers say they are unsure of what they

will do but are working on plans to meet the challenge (one commenter noted they were already negotiating with their union on a solution).

Q13: IMA asked how long companies would be able to withstand loss of revenues due to a temporary cessation of operations. The responses show that more than 45 percent would not be able to remain viable for more than 60 days; another 31 percent said up to 120 days. The remaining 16 percent said their reserves could carry them longer, although just three percent reported reserves of more than 365 days.

Comments on this question underscored the uncertainty of the length of time companies believe they could be affected by revenue loss, and one commenter noted they were unsure of what IMA meant by the term, “withstand.”

Q14: Next, we asked about operations changes being contemplated or already implemented. Responses were fairly spread between reducing hours, changing schedules, and using skeletal crews to maintain production. However, there were an equivalent number of “other” responses to the question.

Most of the comments noted the company had not made any changes yet and were taking a wait and see approach. One commenter told us they were spreading out workers over three floors of its office building to build a social distancing scheme. Other comments include allowing only healthy workers to work, made attendance a voluntary exercise for those wishing to use PTO in lieu of regular wages for services.

Q15: IMA asked if companies productivity had been affected by the coronavirus. Forty-eight percent of those responding to the question reported productivity of greater than 80 percent of pre-coronavirus levels. Seventeen companies (21 percent) reported increased productivity of more than 100 percent over pre-virus activity. As indicated previously, these increases are due to either customers increasing orders now to have available inventory in the production stream, or increases for products needed to address the virus itself; i.e., soaps, sanitizers, medical equipment, etc. Conversely, less than 20 percent of respondents reported production levels of less than 79 percent, with just 7.4 percent reporting levels of less than 60 percent.

One commenter reported production was up more than 300 percent, although most comments reflected guarded views through the response, “not yet.”

Q16: We then asked companies to tell us what types of sanitation practices were being used. The vast majority of companies (80 percent) said they were increasing the number of sanitation stations while 29 percent added mandatory sanitization times for all employees during the work day. Another 23 percent reported implementing a complete sanitization of the facility.

Commenters added anecdotal information that included staggering lunch hours to reduce large numbers of people congregating in specific areas; hiring professional cleaning services to augment internal cleaning practices; requiring pre-registration of

visitors and only admitting approved visitors to the facility; and, formal ongoing communication and education of workers about the needs for maintaining a sanitary environment at work and in personal life.

Q17: Our next question focused on business interruption insurance.

The overwhelming majority (92 percent) reported the company did have a business interruption policy in effect, but as four commenters noted in one form or another, “we do have insurance, but it does not cover losses due to pandemic.” One other commenter noted they were self-insured.

Q18: We then asked if the company’s insurance policy considered the coronavirus a force majeure and therefore not covered by its carrier. While 73 percent responded yes (26 percent) or no (42 percent), this question posited the most worrisome comments of any question we asked in this survey.

Of the 29 comments received, every single comment could be categorized as “don’t know...need to ask...not clear at the moment...waiting for a response from my agent...etc.”

Q19: IMA asked manufacturers to identify steps the state or federal government could or should take to help with economic recovery. This question resulted in more than 60 suggestions, the most of any question asked in the survey. The comments represented a wide array of opinions, but we have characterized them as best we can:

- 26 comments focused on needing help with paying wages and benefits to works; suspending payment of rents and/or mortgages for low-income workers and providing tax credits to employers to have additional cash available to pay PTO
- Nine comments expressed concern that government (either state or federal) would impose mandatory shutdowns of manufacturing facilities resulting in potential shortages of needed products
- Nine more comments targeted the need for government to suspend the collection of some taxes (i.e., payroll taxes); offer loans to maintain revenue flow; and in certain cases, pay debt payments on behalf of certain stressed employers
- Four comments urged the government to be forthcoming and honest in reporting to the public, while two other commenters suggested imposing a media and social media blackout to reduce public panic
- Two more commenters urged passage of a stimulus package
- One commenter suggested state and federal governments purchase more products from manufacturers to keep facilities open and producing
- Other single suggestions included having the Army Corps of Engineers erect temporary field hospitals, opposing the proposed graduated income tax in Illinois and unspecified changes to the Workers Compensation Act
- One commenter suggested regular and ongoing communication on best practices being discovered and implemented by industry

Q20: The IMA asked manufacturers if they believed the recent action taken by the Federal Reserve to lower interest rates would help their company. Nearly 53 percent said they did not feel the Fed's actions would help them.

Commenters noted that since the Federal Reserve actions had just taken place, they were unsure exactly what impact the actions would have on manufacturing, but some did indicate they hoped the actions would allow easier access to capital.